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ABSTRACT

The latest round of proposed state and federal welfare reforms has major implications for state work force development systems. These systems will face new demands generated by the need to help welfare recipients find jobs before they reach the time limits on aid and the need for states to meet the new work participation rates for federal welfare programs. In addition, states may be implementing new work force development block grants at the same time that they are implementing new welfare block grants. The adult education and work force development systems have been playing a central role in welfare reform for some time; however, the newest reforms to the welfare system will mean that states will receive less federal funding and that states will be required to place many more welfare recipients in jobs or in work activities. Education and job training will not be the principal focus of welfare-to-work programs because most welfare recipients must be in actual jobs or work activities for their participation to count toward federal work participation requirements. These differences mean that policymakers in the adult education and work force development systems will have to rethink the role their programs play in welfare reform. Job search, unpaid work experience, and subsidized jobs will play a much larger role. Many job training courses, such as those at community colleges, may have to be reconfigured to fit into the timeframe of recipients who need such training but who have access to income support for only 2 years. Work force development systems may also be asked to help former recipients stay in jobs or find new ones, or to create work for recipients who are reaching the limits of their aid. All of these welfare-related demands on work force development systems come at a time when federal funding for these systems has been sharply reduced. States may be able to shift some of their current investments in welfare systems to work force development systems to provide job training and income support to families that are now on the welfare rolls. (KC)

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Issue Brief

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Implications of Welfare Reform for Workforce Development

Summary

Congress is poised to enact a radical reform of the welfare system. If the pending bill becomes law, this federal legislation will superimpose a new set of policy changes and mandates on existing state-initiated welfare reform programs. Although much attention has focused on the five-year time limit included in the federal legislation, more than half of the states are already moving toward implementing time limits on welfare aid without work. Consequently, the key new policy changes and mandates in the federal legislation are the limitations on the level of federal funding and the requirements for placing an increasing percentage of welfare recipients in work activities. The new legislation would also give states greater flexibility to design their welfare systems without having to request federal waivers.

This latest round of state and federal welfare reforms has major implications for state workforce development systems. These systems will face new demands generated by the need to help welfare recipients find jobs before they reach the time limits on aid and the need for states to meet the new work participation rates for federal welfare programs. The size and nature of these new demands on workforce development systems will depend greatly on the initial choices states make about how to structure their new welfare systems. In addition, states may be implementing new workforce development block grants at the same time they are implementing new welfare block grants. If federal workforce development block grant legislation is enacted, then states and localities will also have to make decisions on the priority given to welfare recipients for workforce development services, relative to other populations such as incumbent workers and dislocated workers, within the context of cutbacks in federal funding.

The adult education and workforce development systems have been playing a central role in welfare reform for some time, primarily as a result of the previous round of federal welfare reform, the Family Support Act of 1988. That legislation created the Job Opportunities and Basic Skills (JOBS) Training program, which emphasized helping recipients develop their education and job skills. However, the newest reforms to the welfare system at the federal and state levels differ in several fundamental ways from the Family Support Act and JOBS.

- States will receive less federal funding over the next seven years compared with what they receive under current law.
- States will be required to place many more welfare recipients in jobs or in work activities—almost twice as many initially as are now required to participate in JOBS activities.

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- Education and job training will not be the principal focus of welfare-to-work programs because most welfare recipients must be in actual jobs or unpaid work activities for their participation to count toward meeting federal work participation requirements.
- Most adults on welfare (85 percent) will be subject to a federal five-year lifetime limit on benefits, with many recipients subject to shorter two-year state limits on aid without work.

These differences mean that policymakers in the adult education and workforce development systems will have to rethink the role their programs play in welfare reform. Skill development activities will play a smaller role, and participation in adult education classes will not count toward meeting federal work requirements. Job search, unpaid work experience or "workfare," and subsidized jobs will play a much larger role. For example, if welfare caseloads do not decline, by fiscal 2000, in order to meet the federal work requirements, states would have to create jobs on a scale that exceeds the size of the Comprehensive Employment and Training Act (CETA) public service employment program at its height in the late 1970s.

Eventually the time limits will reduce welfare caseloads, but with unknown consequences for the families that reach them and can no longer receive aid. State workforce development systems may be asked to give priority for services to families that are close to reaching time limits on aid. Close coordination with welfare departments will be required to keep track of the "clocks" of welfare recipients and ensure they are referred to services that fit within those timeframes.

Many standard job training courses, such as those at community colleges, may have to be reconfigured to fit into the timeframe of recipients who need such training but who have access to income support only for two years. It will be critically important to have followup services to help former recipients keep jobs because there may not be a safety net for those who have reached the time limit. Workforce development systems may also need to help recipients find second jobs quickly if the first one is not working out so that they do not lose valuable benefit time. Finally, if many families that reach the time limits do not find work, workforce development systems may be asked to help create work for them.

All of these welfare-related demands on workforce development systems come at a time when federal funding for these systems has been sharply reduced. If federal workforce development legislation is enacted, then states may have much greater latitude to structure services and set priorities for whom to serve than under current law. This new flexibility would enable workforce development systems to think more broadly and creatively about serving low-income families. States will have the ability to reallocate their current investments in welfare and workforce development. For example, states may be able to shift some of their current investments in welfare systems to workforce development systems for the purposes of providing job training services and income support to families that are now on the welfare rolls.

Background

Welfare Reform in Congress. Congress is considering welfare reform legislation that would convert the Aid to Families with Dependent Children (AFDC), emergency assistance, and JOBS programs into a single block grant for cash assistance to low-income families. The pending legislation would also block grant and consolidate into the Child Care and Development Block Grant child care assistance for welfare recipients and for those who have left welfare for work. The legislation would end federal matching requirements and individual entitlements to cash assistance, emergency assistance, and child care but would require states to maintain 75 percent of their current spending on these programs through fiscal 2000.

As of December 1995, the House and Senate conference agreement on welfare reform would freeze overall funding for the cash assistance block grant roughly at current spending levels, with small adjustments for population growth and some additional funding for child care necessary to meet the bill's work requirements. The conference agreement would also give states access to federal matching funds in times of severe economic recession. The agreement includes a five-year lifetime limit on cash assistance and requirements for states to eventually enroll half of the welfare caseload in work activities. The welfare reform bill's provisions would be retroactive to October 1, 1995. States would have the option of delaying implementation until July 1996, though they would not be reimbursed for any costs that exceed their fiscal 1996 block grant allotments.[1] President Bill Clinton has not endorsed the conference agreement. It is likely that some provisions will have to change in order for the administration to support the package.

Welfare Reform in the States. State welfare reform activity accelerated beginning in early 1992 when President George Bush promoted waiver authority under the Social Security Act as a vehicle for increasing state flexibility to fundamentally restructure welfare programs. Forty-one states have applied for federal waivers from welfare laws and regulations. Most states have asked for waivers to allow welfare recipients to keep and save more of what they earn; to allow two-parent families to qualify more easily for welfare; to strengthen penalties for violating program rules; to require school attendance by teens; to expand JOBS participation; and to impose time limits on aid without work. Many states have also asked to expand transitional health care and child care assistance for families that leave welfare for work.[2]

The time limits states are adopting differ in several important ways from the five-year time limit under discussion in Congress. Generally the state time limits:

- are shorter but are not lifetime limits (e.g., aid is limited to two out of every five years);
- are more flexible in exempting families from the time limits and in granting extensions; and
- provide for jobs or continued aid to recipients who are willing to work at the end of the limit.

As of July 1995, of the twenty-five states that have implemented or proposed time limits, fifteen states offer jobs to families that reach the limit or continue aid to these families provided they comply with the work requirement. Only seven states do not offer jobs at the end of the time limit. Just two of the seven states have proposed lifetime time limits. All of the states exempt the disabled. Most exempt teen parents and families with very young children. All of the states allow for extensions for families where the parent has made a good faith effort to find a job but has not been successful.[3]

In contrast, the federal time limit being considered by Congress applies to any aid received by a family over the lifetime of the parent(s) and does not provide jobs to families that reach the time limit or continued aid to families that are willing to work. States would not be allowed to exempt more than 15 percent of their adult welfare caseload from the time limit, regardless of the nature of the families' circumstances.

In addition to the welfare reform activity undertaken through waivers, states have recently begun to use the flexibility given to them under the Family Support Act to change the emphasis of welfare-to-work programs. They are shifting from the skill development approach of the JOBS program to a "work first" approach that makes quick job placement the top priority. Under JOBS, most participants were assessed and then referred to education and training services and, in many places, the program never moved beyond this assessment and referral stage to develop effective linkages with employers to place participants in work.

This shift is due in part to evaluation research on JOBS and JOBS-like programs, which found that a quick job placement approach is more effective than an education-focused skills development approach—at least within the initial two or three years of participation covered in these studies—in increasing the employment and earnings of recipients and reducing welfare costs.[4] A skills development approach does require an up-front investment by the program or by the participant, who foregoes earnings while enrolled in education or job training. It is possible that the returns on this investment in skill development in JOBS will become apparent over a longer period, but they did not materialize in participants' initial two years. It is important to note that most of the JOBS participants in the skills development study sites were enrolled in education activities and not in job training.

Factors Affecting State Implementation of Federal Welfare Block Grants

The implications of welfare reform for state workforce development systems will vary depending on the initial choices states make about how to implement welfare block grants. States will have much greater flexibility under the new welfare block grants than they do now, and it is difficult to predict how they will respond to the flexibility. Important but unpredictable factors include the political climate and the ideologies of the Governor and state legislators. In many states, localities exercise considerable authority over welfare programs, adding yet another variable. What is clear, however, is that state choices will be constrained by certain "givens" at the federal and state levels. The key parameters within which states will exercise the new flexibility given to them under welfare block grants are federal work requirements; state and federal time limits; welfare caseloads and state economic conditions; and federal funding.

Federal Work Requirements. The pending federal welfare reform legislation would require states to place a certain percentage of welfare recipients in work activities for a certain number of hours each week. This percentage and the number of hours increase over time and are higher for two-parent families than for single-parent families. States that fail to meet the work participation rates could see a reduction in their block grant allotment of up to 5 percent.

In addition, the bill would not exempt any adult recipients from the work requirements except, at state option, families with children below age one. Under JOBS program rules, states can exempt between 50 percent and 80 percent of the caseload, and about half of the caseload nationally is currently exempt.[5] The impact of narrowing the exemptions is to effectively raise participation rates substantially more than would appear by simply looking at the increase in the rate. For example, the 20 percent participation rate in fiscal 1996 under the new bill applies to 90 percent of the caseload; the effective rate is 18 percent of the entire caseload.[6] This compares with a current effective rate of roughly 10 percent (20 percent applied to 50 percent of the caseload).

In addition to increasing the percentage of the caseload that will be required to participate in welfare-to-work activities, the pending federal bill would change the type of activities that count toward meeting the participation rates. The focus of welfare-to-work activities would shift from the original JOBS program emphasis on education and job training to job search, community work experience or "workfare," and subsidized public or private jobs. Education activities would not count toward meeting the work requirements. Job training would only be counted for twelve months for each recipient, and recipients in job training could not comprise more than 20 percent of those counted toward meeting the rates at any point in time. There is also no guarantee of child care for recipients, though families with children below age six cannot be sanctioned for nonparticipation if they can show that child care was not available.

This shift away from an approach that develops recipients' education and job skills to one that emphasizes immediate job placement mirrors the shift that has already been occurring in state JOBS programs. Yet there are some key differences. First, states are investing primarily in expanding job search activities, especially group job search or "job clubs." The federal legislation, however, would count job search toward meeting the work requirements only for an individual's first four weeks of receiving aid. Most participants would need to be in jobs or in unpaid work activities to count toward the new federal rates and states have not been creating large "workfare" or subsidized jobs programs.

A second difference is that even if all current JOBS activities counted toward the rates, not even the most successful JOBS programs have achieved the participation rates that would ultimately be required under the new block grants. These sites typically managed to involve monthly only 5 percent to 10 percent of the caseload in JOBS for the required twenty hours per week.[7]

States would have to invest considerable amounts of funds in welfare-to-work programs, above what they now spend, to comply with these new federal work mandates. The Congressional Budget Office (CBO) estimates that by fiscal 2000, only between ten and fifteen states could meet the work requirements, assuming caseloads are, on average, at fiscal 1994 levels. Because CBO projects that all other states would have to increase welfare-to-work spending by more than 200 percent over fiscal 1994 levels to meet the requirements, CBO assumes that these other states would opt instead to take the 5 percent penalty. [8]

Any aggregate estimates about the costs of complying with the work requirements are necessarily speculative given the uncertainty about what eligibility and benefit decisions states will make and how recipients will respond to state and federal time limits. The CBO estimates also do not include in the baseline any welfare-to-work spending from outside the welfare system, such as adult education and job training services funded through federal education and workforce development programs.

What does seem certain is that complying with the pending bill's higher work participation rates will cost states more than they now spend on welfare-to-work programs. A recent study of states that had substantially increased participation in work or work-related activities concluded that at least in the short term, increasing participation in such activities requires an up-front investment, even in the context of a healthy economy.[9]

State and Federal Time Limits. Both the pending federal bill and recent state waiver applications include time limits, though there is wide variation in what the end of the time limit triggers (i.e., a work requirement or the end of any aid), the types of exemptions and extensions granted, and the duration of the limit. Given that most of the state time limits are set at two years, state workforce development systems are likely to feel the impact of these shorter state limits before the five-year federal time limit. The families that reach the federal five-year lifetime limit will be those living in states without state limits; those that are exempt from the state limit but not the federal one; and those that are subject to the state limit but that cannot find or retain a private sector job despite a willingness to work.

It is too early to know the impact of these state time limits. Even in the states that began implementing time limits the earliest, such as Florida, Vermont, and Wisconsin, no single-parent families have yet reached the limit. However, a recent study of these states' experiences reveals several lessons.[10]

- Time limits do increase the sense of urgency felt by recipients and program staff alike. Recipients are more likely to move ahead in searching for and preparing for work, and program staff are less likely to leave recipients waiting for long periods for services.

- Expanding JOBS is a key element of all three of these state time-limited programs, and each is directing additional funds to the program.
- Time limits increase the importance of having effective coordination between welfare and employment and training departments, so that recipients are not in limbo while their aid "clock" ticks away.
- Training programs do not readily fit into a time-limited program. For example, two-year associate degree programs on a regular semester schedule are not feasible.
- Time limits, in and of themselves, do nothing to remove the barriers recipients have to finding and keeping jobs.

These states are trying to minimize the number of families that reach the time limits by expanding JOBS and increasing its effectiveness. Until the new block grants take effect, these states have the advantage of federal matching funds for any new investments they make in expanding JOBS or child care. Under the new federal block grants, states will have a fixed amount of federal funds available, albeit with more latitude in determining how to spend those funds.

Because time limits are so new, there is little data states can use to estimate the proportion of their welfare caseload that might reach a particular time limit. National estimates simply look at the amount of time recipients now receive welfare. For example, if caseloads remained at current levels, national estimates on the number of families that would reach the federal five-year limit range from 1.3 million to 1.7 million in fiscal 2001 alone, with that number rising each year through fiscal 2005.[11]

Welfare recipients who are most likely to reach a five-year federal time limit have more barriers to employment than the average recipient. For example, about half (47 percent) of all welfare recipients lack a high school diploma or equivalency degree, but almost two thirds (63 percent) of those who receive welfare for more than five years do not have a diploma or equivalency degree. Similarly, about 39 percent of all recipients do not have work experience, but half of long-term recipients do not have work experience. The pool of recipients that is likely to reach a two-year state time limit includes both the group of long-term recipients and a second, somewhat less disadvantaged group of recipients that under the current program typically receives more than two years but less than five years of aid.[12]

It is difficult to predict what policies states will adopt with regard to families that reach the federal time limits without finding unsubsidized employment. Most of the state waivers for time limits provide for a subsidized job or continued aid at the end of the limit if the adult in the family is willing to work. However, these state waiver projects are predicated on federal matching funds for the costs of such jobs or continued aid. This open-ended federal match will not be available under welfare block grants. In addition, the pending federal legislation would not allow states to use federal funds to continue to aid in any way recipients who reach the five-year federal time limit.

Welfare Caseloads and Economic Conditions. Most states are continuing to enjoy healthy economies. States finished fiscal 1995 with higher revenues than projected, the third consecutive year this has occurred. Year-end balances were at the highest levels since 1989. Although moderate economic growth is expected to continue through fiscal 1996, federal aid will be reduced and the size of these reductions will grow substantially over the next five years. Because federal funds account for one quarter of total state spending, the cutbacks are likely to have an important impact on state finances.[13]

Forty-four states now have lower welfare caseloads than in fiscal 1994, the year on which most welfare block grant allocations will be based.[14] Nationally caseloads are now about 6 percent lower than at their peak in fiscal 1994. These lower caseloads, combined with generally favorable economic

conditions, should make it easier in the short term for states to meet federal work participation rates and should minimize the number of families that reach a time limit on aid.

Healthy economies, budget surpluses, and lower welfare caseloads provide a very favorable context in the short term for state implementation of welfare block grants. Over the seven-year span of the federal legislation, however, the economy may experience a downturn. If that occurs, the need for assistance will rise, state revenues will fall, and it will become more difficult to place recipients in work. Even if the economy stays healthy, welfare caseloads may rise. The number of families receiving welfare stayed roughly the same for more than a decade, from the late 1970s to the end of the 1980s. Researchers have been unable to explain why caseloads then grew so dramatically—by more than 30 percent—from 1989 through 1993. The data suggest that about half of the caseload growth was caused by factors other than the recession, such as the rise in the number of families headed by never-married women.[15]

Federal Funding for Welfare Block Grants. Because caseloads are declining, most states would receive more federal aid under welfare block grants in the short term than they would receive under current law. This is because state allocations for welfare block grants would be based on historical federal spending levels, probably fiscal 1994 levels for most states. In contrast, under current law, funding fluctuates in response to the number of eligible individuals in each state.

Over the long term, this positive scenario is likely to change because of population growth, economic cycles, and inflation. Unless states succeed in both substantially decreasing their welfare caseloads and in increasing the proportion of recipients who work, they will face significant funding shortfalls in welfare programs over the next five years. These shortfalls are in two areas: funding necessary to provide current benefits to all those who qualify under current program rules over the next five years and funding needed to expand work programs and child care in order to meet federal work requirements.

Over the seven-year span of the federal legislation, CBO estimates that federal funding for cash assistance, child care, food stamps, Supplemental Security Income, foster care, and social services to immigrants will fall $82 billion below what states would have received over the same period under current law. This represents a 10 percent reduction in federal welfare aid and does not include any new costs associated with the new work requirements. In addition, pending federal budget legislation would reduce a key wage subsidy to low-income working families, the Earned Income Tax Credit, by $32 billion over the same period.[16]

States would have new flexibility to control welfare spending under the new block grants through changes in eligibility and benefit rules. Moreover, individuals who meet eligibility criteria for cash assistance or child care would no longer be automatically entitled to assistance under federal law as is now the case. State options for offsetting the federal reductions in welfare aid include increasing the effectiveness of welfare-to-work programs, thereby lowering caseloads; saving any surplus fiscal 1996-97 federal funds in a state "rainy day" fund to use for future caseload growth; increasing state expenditures; and/or curtailing eligibility and benefits.

In addition to these federal aid reductions, the pending legislation would impose significant new mandates on states to enroll welfare recipients in work activities. If welfare caseloads were to stay at current levels, states and the federal government would have to spend considerably more on welfare-to-work and child care programs than they do now to meet the new work requirements—$19.3 billion more over the seven-year period, according to CBO. For example, CBO has estimated that if welfare caseloads were the same in fiscal 2000 as they were in fiscal 1994, then states would need to spend

$5.2 billion more in fiscal 2000 alone than they and the federal government together spent in fiscal 1994 ($2.4 billion for both JOBS and AFDC child care).

The costs of meeting the work requirements increase substantially in fiscal 2001 and fiscal 2002 as the participation rates and the number of required work hours rise. CBO estimates the total federal and state costs over the seven-year period from fiscal 1996 to fiscal 2002 at $36 billion.[17] Congress is likely to add at least $3 billion in additional child care funding over seven years to the final legislation to fill some of this gap between existing spending and projected new costs, but this would still leave a shortfall of roughly $16 billion. Again, these CBO estimates assume that caseloads throughout the seven-year period are, on average, at fiscal 1994 levels. If caseloads stay below 1994 levels, these CBO estimates will have overstated the cost of meeting the work requirements; if caseloads rise above 1994 levels, these estimates will have understated the costs.

Implications of Federal Welfare Block Grants and State Welfare Reforms for State Workforce Development Systems

How states choose to implement welfare block grants will have important implications for state workforce development systems. These choices will be determined, in part, by the factors described above:

- new federal mandates to greatly increase the proportion of welfare recipients who are working or participating in work activities;
- new time limits, which in most states will probably mean a two-year limit on aid to recipients who do not work, and a national five-year lifetime limit on any aid;
- low unemployment rates and declining welfare caseloads in most states, with economic growth projected to continue, albeit at a slower pace, for the next year at least; and
- shortfalls in federal welfare aid, both for continuing current benefits and for meeting new work requirements, but greater state flexibility to structure programs.

The new demands on state workforce systems will come mainly from state efforts to meet the federal work mandates and to quickly assist families that are likely to reach the time limits on aid. The current favorable economic conditions and declining welfare caseloads will make these tasks easier in the short-term. Yet an economic downturn is almost certainly going to occur at some point over the seven-year life of the work requirements. The long-term shortfalls in federal aid will make complying with the work requirements and implementing the time limits more difficult, and states may be tempted to divert workforce development funds away from skill development to the creation of work activities for welfare recipients.

Key Issues

If Congress enacts workforce development block grants, what proportion of the funds authorized is likely to be needed to fund work activities for welfare recipients?

The federal mandates for states to increase work program participation do not imply simply expanding the JOBS program. Under the block grants, education activities would not count at all toward the requirements. Job training activities would only count for one year per individual, and no more than 20 percent of participants can be engaged in these activities at any point in time. Job search would count only for the first four weeks of an individual's participation. In fact, only about 5 percent of JOBS participants are in activities that would count toward meeting the new work requirements. Only about 10 percent of the adults receiving welfare are working or are in work activities. The challenge

for states is to find work or work activities for a far higher percentage of their caseloads than is now the case.

If Congress fails to enact federal legislation to convert existing job training programs into block grants, then state workforce development systems may only be involved in the job placement and job training aspects of efforts to meet the work requirements because existing federal law would not allow job training funds to be used for creating "workfare" positions or subsidized jobs. Of course, states could choose to have the state workforce development system administer work activities for welfare recipients with welfare funds.

This is already occurring in Florida and New Hampshire, where responsibility for the JOBS program has been transferred to the workforce development system. Wisconsin plans to transfer the program to the workforce system as part of its new welfare reform plan, known as "W-2." In Vermont the employment and training department is responsible for JOBS services for two-parent welfare families and for creating subsidized jobs for two-parent families that reach the fifteen-month time limit on aid. State workforce development systems also operate JOBS in Indiana, Maryland, and South Dakota.

If workforce consolidation legislation is enacted, states could use the new flexibility to fund "workfare" or subsidized jobs for welfare recipients with workforce development funds. At a minimum, states could reallocate what they now spend on skill development to fund work activities. Anecdotal information suggests that perhaps as much as half of the funding for adult education and job training services to JOBS participants comes from outside the welfare system.[18] For example, welfare recipients comprise approximately 40 percent of participants in the existing job training program for disadvantaged adults; this program represents about 20 percent of federal workforce funding.

Concerns have been raised in Congress that states might decide to use all of the workforce development block grant for services to welfare recipients. Although the federal work requirements and time limits do provide powerful incentives to use workforce funds for welfare-to-work activities, there are a number of countervailing pressures. First, welfare recipients would be competing with other populations for priority for these workforce block grant funds. This competition could be fierce given the anticipated reductions in federal funding for workforce programs. Fiscal 1996 funding for workforce programs is likely to be around $4 billion, not including student aid, or about a third less than was originally appropriated in fiscal 1995. Governors and state legislators may decide to use block grant funds for purposes they see as equally or more worthwhile, such as upgrading the skills of current workers or helping retrain dislocated workers.

A second limiting factor may be the scale of the investment potentially needed to meet the federal work requirements. As noted earlier, the new costs of meeting the welfare work requirements, if caseloads are, on average, at fiscal 1994 levels, are estimated to be $5.2 billion for fiscal 2000, or more than the total funding for the entire workforce development block grant. This estimate assumes that states would continue to spend all of the $2.4 billion on welfare-to-work activities that they spent in fiscal 1994 rather than use any of these federal or state funds for other purposes. The actual cost could be higher if this assumption proves invalid. Because there is no funding set aside for the JOBS program in the new block grant, states may choose instead to use those funds for cash assistance or child care.

Finally, the legislation itself is likely to impose significant limits on the proportion of the block grant that could be spent on welfare recipients. Even under the more flexible Senate workforce bill, half of the funds are reserved for vocational education, adult education, labor market information, and labor exchange activities, none of which can be used in any significant way toward meeting the work requirements.[19] In addition, under the Senate bill, states could not ignore others who need job training

services because they would risk penalties for failing to meet the performance standards for serving those groups.

Especially if welfare caseloads increase, many states may conclude that they cannot meet the work requirements even with substantial spending from workforce block grant funds. They may decide instead to accept the penalty and use workforce block grant funds for other purposes, such as retraining dislocated workers and upgrading the skills of current workers.

If state welfare-to-work programs are moving away from skill development to a "work first" approach, what is the role for state workforce development systems?

As states expand welfare-to-work programs to meet federal work requirements and shift toward a "work first" approach, the immediate needs will be to expand the following activities:

- developing job leads and organizing group job search;
- developing subsidized public or private sector jobs or "workfare" slots;
- improving job retention through post-placement followup; and
- minimizing periods of unemployment by helping former recipients quickly find second jobs if the first job does not work out.

In most states, welfare agencies typically still have few links to employers. For that reason, as welfare-to-work programs become more work-focused, states may shift more responsibility for those programs to the workforce system. States may decide to transfer some welfare funding to state workforce systems for expanding job development and job search activities for welfare recipients. Post-job placement services may be most effectively provided outside the welfare system, by agencies that also serve other workers, so that former recipients who need help keeping or replacing a job do not have to return to the welfare office to access services.

In the past, states have typically given welfare departments responsibility for "workfare" or subsidized jobs programs for welfare recipients. State employment and training departments were responsible for large public service employment programs under CETA, but the clients placed in those jobs were typically much less disadvantaged than the average welfare recipient. As noted above, several states are now transferring these responsibilities back to the workforce development system, including states already implementing time limits on benefits, such as Florida and Wisconsin.

Neither workforce development departments nor welfare departments have done much in the way of post-placement services in the past. Yet most recipients who are at risk of reaching federal five-year time limits do not stay on welfare for five years at one time, but rather cycle between periods of work and periods of welfare, repeatedly finding jobs but not retaining them. The U.S. Department of Health and Human Services is currently funding demonstrations in four states to test different approaches to helping welfare recipients keep jobs, or to find their next jobs if they do not keep the first ones. The four sites are Chicago, Illinois; Portland, Oregon; Riverside, California; and San Antonio, Texas.

Two recent studies of these demonstrations suggest the following lessons.

- Post-placement assistance should start right after clients begin a job because that is when problems surface and, which left uncorrected, can lead to job loss. These problems include the stress of new schedules and work relationships; unstable child care arrangements; unreliable transportation; decreases and errors in welfare and other benefits; and unsupportive family or friends.
- Clients most value personal services by case managers that include moral support and encouragement as well as assistance in clearing up bureaucratic problems related to clients' cash assistance and transitional child care and Medicaid benefits.

- Inter- and intra-agency communication between staff responsible for job placement and retention and staff responsible for cash assistance and transitional benefits is critically important to ensuring that recipients obtain transitional aid such as child care subsidies in a timely way and that cash assistance benefits are recalculated correctly when recipients report earnings.[20]
- Some job loss is unavoidable, making quick and effective reemployment services potentially even more important than job retention services.
- Resource rooms that are open after working hours may be the best way to provide job retention and reemployment services to former recipients. The demonstrations mostly provided these services through welfare agencies, meaning that former recipients had to go back through the welfare system to access them. Services were also open only during the day, so that recipients who were having trouble with their jobs could not use resource rooms to look for a new job until they were unemployed.
- Some clients really are not "job ready" for various reasons and may need intensive case management to resolve barriers to employment before they look for their next job.[21]

Given these observations, state workforce development systems may be better positioned than welfare agencies to provide job retention and reemployment services for welfare recipients, but only if these services can be accessed after work hours and if adequate lines of communication exist between the two systems on transitional benefits and cash assistance issues. This is especially important in a time-limited system.

Will states still provide basic education or job skills development services to welfare recipients?

There probably will still be a role for basic education and job training services under the new welfare systems, but that role is likely to be much more limited than it was in the first years of JOBS. The JOBS experience has left many welfare agencies skeptical about the potential of education to increase recipients' employability. As noted earlier, recent evaluation research findings of JOBS indicate that basic education services do not increase recipients' earnings, at least within the initial two years of participation. This finding corroborates the evaluation of California's GAIN program, which also found no earnings impacts even within a longer three-year followup period. The JOBS evaluation has not yet determined the effects of job training services. Research on other programs, such as the San Jose Center for Employment Training, has indicated that job training can significantly increase the employability and earnings of welfare recipients.[22]

Despite this skepticism, the time limits on aid may motivate states to provide education and training to welfare recipients who do not find jobs despite repeated job searches or to recipients who do not keep the jobs they find. Those with low basic skills seem to be especially at risk; research has found that half of the recipients without high school diplomas who leave welfare for jobs return to welfare within one year.[23] This finding is supported by a more recent study of five states that have substantially increased participation in work or work activities. This study found that when states succeed in placing many more recipients in work, those recipients who are still left on the welfare rolls have multiple barriers to employment.[24]

States may be more inclined to provide basic skills remediation, which does not count toward the federal participation rates, if they can do it in conjunction with job training services, which do count within limits toward meeting the rates. This implies a restructuring of the way these services are now delivered, because recipients still typically are referred first to basic education services and only after completing them are referred to job training services.

States could also decide to work with employers to try to provide on-site education or job training services to welfare recipients who are working. The Senate workforce development bill would allow

states to use block grant funds for such upgrading of workers' skills. This again has the advantage of combining an activity that counts toward meeting the federal work rates with one that does not. In addition, upgrading the skills of employed recipients or former recipients is one possible strategy for reducing the number of recipients who leave welfare for work only to return to the system. The current JOBS program has not made this problem of recidivism a priority, but under a time-limited welfare system, reducing recidivism will be crucial to minimizing the number of families that reach the time limit on aid.

A third way a state might choose to provide education and training services to parents in low-income families is to transfer some existing state welfare spending to the workforce development system for the purpose of providing income support to their families while they complete education and training programs. Because these individuals would be enrolled in a separate workforce development program, rather than welfare, this strategy would reduce the welfare rolls and provide them with access to education and training services without the "clock" on their limits on aid ticking. This strategy would also make it possible to use existing education or training programs rather than having to create new ones that fit into a time-limited framework.

How does the existence of time limits on welfare assistance change the role of state workforce development systems in welfare reform?

Time limits in the welfare system will change the role of state workforce systems in fundamental ways. The reduction in caseloads from families reaching the time limits may eventually ease the pressure on state JOBS programs and workforce development systems by reducing the number of families subject to federal work requirements. However, this may be offset by increased pressure to find or create work for families that are about to lose access to aid or that have already reached the time limit.

First, time limits mean that there must be much more effective collaboration between state welfare and workforce development systems. This is especially true where responsibility for running the welfare-to-work program is given to the state workforce development system. The two systems must overcome differences in their culture and missions to serve clients effectively and quickly. Any time a family spends receiving aid while waiting for agency action because of inadequate interagency communication represents aid the family might have received in the future that is now forever lost. In states with shorter two-year limits, whatever agency is administering the welfare-to-work program must be able to know which clients should be prioritized for services because they are subject to the two-year limit.

Second, time limits will require the creation of training programs that fit into a two-year timeframe. Although research suggests that two-year associate degree programs boost individuals' earnings more than shorter programs, a two-year program that operates on a semester basis probably is not going to be a feasible option for a welfare recipient. Two of the states that are implementing time limits, Florida and Wisconsin, have found this to be a key obstacle and are creating new programs to offer associate degrees in a module format that allows open entry and exit and that can be completed more quickly. [25]

For example, the JOBS program in Florida's Alachua and Escambia counties has worked with local community colleges or junior colleges to develop new learning centers that provide individualized computer-assisted instruction and enable participants to enroll at any time. In Wisconsin's Fond du Lac County, the welfare agency has worked with local school districts and employers to create two- to four-month training courses in specific occupations such as printing, hospitality, and nursing. It is important to note, however, that routing recipients to shorter term training courses can result in lower

earnings potential for them, which in turn may make it more difficult for them to become self-sufficient. In Escambia County, recipients interested in nursing are now sent to certified nurse aide training because it is much shorter than registered nurse training. Starting pay for certified nurse aides is only $5.00 per hour.

Third, states must face squarely the question of what will happen to families that reach the time limit. Most states that have proposed time limits have either decided to continue aid or to create jobs for such families if no unsubsidized work can be found. This implies creating large-scale workfare or subsidized job programs, and the workforce system may be asked to assume this responsibility. It is worth noting that the national evaluation of the JOBS program found that three successful programs focusing on quick job placement still had 57 percent of their participants on AFDC at the end of the two-year study period, despite having significantly increased the employment and earnings of their participants.[26]

Finally, as noted above, workforce development systems and welfare agencies will have to pay much closer attention to the problem of recidivism. In a welfare system that has lifetime limits on aid, high job placement rates alone are not enough.

Action Steps

If pending federal welfare reform legislation becomes law, state workforce development systems can begin to prepare for implementation by working with the state welfare system to answer several basic questions.

- First, what are the characteristics of welfare recipients in the state overall and in each locality? This data will help the state estimate the number of recipients who are likely to find jobs before reaching the state or federal time limit and to identify the barriers to employment among those who cannot find jobs.
- Second, what percentage of the caseload is currently in work or work activities? What would it take for the state to meet the new federal work requirements? What is the capacity of local labor markets to absorb many more recipients? To what extent will the state need to create workfare or subsidized jobs?
- Third, how would the workforce development system need to reconfigure existing job training and adult education programs to serve recipients who may have only two years to become employable? Are courses available on an open-entry, open-exit basis?
- Fourth, what is the capacity of the state workforce development system to provide low-income workers with job placement or job training and education services? Are services available in the evenings or on weekends? Are any worksite education or training services available?

The specific role of the state workforce development system will depend on numerous policy decisions made by the Governor, including the length and exemptions of any state time limits. Other important considerations are whether the state will provide jobs or access to continued aid at the end of the time limit, which agency will be given responsibility to administer welfare-to-work activities, what investment the state is willing to make in order to meet the federal time limits, and whether the state will continue to provide adult education and training services to recipients.

[1]For the cash assistance block grant, the state allotments would be set at the higher of fiscal 1994 or fiscal 1995 levels, or the average of fiscal 1992-94 levels.

[2]Steve Savner and Mark Greenberg, *The CLASP Guide to Welfare Waivers, 1992-1995* (Washington, D.C.: Center for Law and Social Policy, May 23, 1995); Julie Strawn, Sheila Dacey, and Linda McCart, *Survey of State Welfare Reforms* (Washington, D.C.: National Governors' Association, July 1994); and Administration for Children and Families, U.S. Department of Health and Human Services, "Update on State Requests for Section 1115 Waivers," Washington, D.C., November 3, 1995.

[3]Steve Savner, Mark Greenberg, Kristin Seefeldt, and Rebecca Swartz, *When the Clock Doesn't Run: Exemptions and Extensions Granted by Each State Under Current Time-Limited Waivers* (Washington, D.C.: Center for Law and Social Policy, July 28, 1995).

[4] Stephen Freedman and Daniel Friedlander, *The JOBS Evaluation: Early Findings on Program Impacts in Three Sites* (New York: Manpower Demonstration Research Corporation, July 1995).

[5]Based on fiscal 1992 data from *Overview of Entitlement Programs—1994 Green Book*, Committee on Ways and Means, U.S. House of Representatives, Washington, D.C., July 15, 1994.

[6]Because families with children below age one comprise about 10 percent of the caseload, this is the likely effective rate under the pending bill if states exercise that option.

[7]Gayle Hamilton, *The JOBS Evaluation: Monthly Participation Rates in Three Sites and Factors Affecting Participation Levels in Welfare-to-Work Programs* (New York: Manpower Demonstration Research Corporation, July 1995).

[8]Sheila Dacey and Justin Latus, staff memorandum, Congressional Budget Office, Washington, D.C., September 11, 1995.

[9] LaDonna A. Pavetti and Amy-Ellen Duke, *Increasing Participation in Work and Work-Related Activities: Lessons from Five State Welfare Reform Demonstration Projects* (Washington, D.C.: The Urban Institute, September 1995).

[10]Dan Bloom and David Butler, *Implementing Time-Limited Welfare: Early Experiences in Three States* (New York: Manpower Demonstration Research Corporation, November 1995); and Dan Bloom, *The Family Transition Program: An Early Implementation Report on Florida's Time-Limited Welfare Initiative* (New York: Manpower Demonstration Research Corporation, August 1995).

[11]LaDonna Pavetti, "Implementing Welfare Time Limits," *Urban Institute Welfare Reform Brief*, The Urban Institute, Washington, D.C., May 1995; and Congressional Budget Office estimates.

[12]Pavetti and Duke, *Increasing Participation*.

[13]National Governors' Association and National Association of State Budget Officers, *The Fiscal Survey of States* (Washington, D.C.: National Governors' Association and National Association of State Budget Officers, October 1995).

[14] The pending federal legislation has a complicated array of different possible base years for the cash assistance, child care, child welfare, and optional food stamp block grants. For the cash assistance block, the choices are the greater of fiscal 1992-1994, fiscal 1994, or fiscal 1995 levels.

[15]"Forecasting AFDC Caseloads with an Emphasis on Economic Factors," staff memorandum, Congressional Budget Office, Washington, D.C., July 1993.

[16]Recent Congressional Budget Office estimates for H.R. 2491, the Balanced Budget Act of 1995.

[17] Dacey and Latus.

[18]Informal survey of states by Congressional Budget Office, December 1993.

[19]Adult education would not count at all toward the federal work requirements. Job search, which is a labor exchange activity, counts only for the first four weeks of an individual's participation. Vocational education funds could be used only for in-school recipients, and the welfare bill counts these activities toward the work requirements only for one year per individual and for no more than 20 percent of the caseload.

[20]Joshua Haimson, Alan Hershey, and Anu Rangarajan, *Leaving Welfare for Work: Lesson on Helping AFDC Recipients Keep Jobs* (Princeton, N.J.: Mathematica Policy Research, October 1995).

[21]Toby Herr, Robert Halpern, and Suzanne L. Wagner, *Something Old, Something New: A Case Study of the Post-Employment Services Demonstration in Oregon* (Chicago, Ill.: Project Match, November 1995).

[22]Freedman and Friedlander; and U.S. Department of Labor, *What's Working (and What's Not): A Summary of Research on the Economic Impacts of Employment and Training Programs*, Washington, D.C., January 1995.

[23]LaDonna Pavetti, "The Dynamics of Welfare and Work: Exploring the Process by Which Women Work Their Way Off Welfare" (Ph.D. diss., Harvard University, May 1993).

[24] Pavetti and Duke, *Increasing Participation*.

[25] Bloom and Butler; and Bloom.

[26]Freedman and Friedlander.